

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-10 ADP-00 CIAE-00 DODE-00 PM-09 H-02

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-12 IO-12 EB-11 AID-20 TRSE-00 OMB-01 RSR-01 /158 W
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R 101627 Z MAY 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC 8687

INFO AMEMBASSY BONN

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

LIMITED OFFICIAL USE ROME 3694

E. O. 11652: N/ A

TAGS: EAID

SUBJECT: PAKISTAN/ BANGLADESH DEBT

REFERENCE: ROME 3613 (NOTAL)

1. ON MAY 10, DR. BAELI, ITALIAN TREASURY OFFICIAL RESPONSIBLE FOR AID TO LDC' S, ACKNOWLEDGED THAT PAKISTANI SPECIAL ENVOY MUNTAZ ALI BHUTTO HAD SEEN TREASURY MINISTER MALAGODI. HOWEVER, BAELI HAD NOT YET HEARD REPORT OF OUTCOME OF MEETING.

2. BAELI HAD PARTICIPATED IN EARLIER MEETING OF PAKISTANI AMBASSADOR TO ITALY WITH HIGH REPRESENTATIVES OF DIFFERENT ITALIAN MINISTRIES WHEN AMBASSADOR MADE ARGUMENT JUSTIFYING SUSPENSION OF DEBT REPAYMENTS ON JULY 1 ON THE PART OF PAKISTANI DEBT ATTRIBUTABLE TO
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BANGLADESH. BAEI SAID THAT OUTSTANDING ITALIAN CREDITS TO PAKISTAN AS OF END APRIL TOTALLED 125 BILLION LIRE (ABOUT DOLS 212 MILLION AT DOLS 1.00 EQUALS 590 LIRE), OF WHICH ABOUT 110 BILLION LIRE (DOLS 186 MILLION) WAS ATTRIBUTABLE TO PAKISTAN, WITH REMAINING ATTRIBUTABLE TO FORMER EAST PAKISTAN. ALTHOUGH BAEI HAD RECOMMENDED TO MINISTER MALAGODI THAT ITALY PRESS FOR CONTINUED PAYMENT OF PAKISTANI DEBTS, BAEI WAS SYMPATHETIC TO EQUITY ARGUMENT BY PAKISTANIS AND IMPLIED THAT HIGH- LEVEL POLITICAL EFFORT BEING MADE DURING BHUTTO VISIT COULD SWAY ITALIANS TO BE SYMPATHETIC.

3. FACT THAT VERY LARGE PART OF ITALIAN CREDITS TO PAKISTAN WOULD CONTINUE TO BE HONORED AFTER JULY 1, EVEN IF PAKISTAN CESES PAYMENTS ON BANGLADESH PORTION, MEANS THAT THERE IS RELATIVELY LITTLE PRESSURE ON ITALIANS TO INSIST ON PAKISTAN' S HONORING OLD EAST PAKISTAN' S DEBTS.

4. IN SEPARATE CONVERSATION MAY 10, FOREIGN MINISTRY OFFICE DIRECTOR FOR ASIAN ECONOMIC AFFAIRS TOLD EMBOFF THAT BHUTTO HAD ALSO MET WITH FOREIGN TRADE MINISTER MATTEOTTI. MFA OFFICIAL THOUGHT THAT NOTHING HAD BEEN DECIDED ON DEBT DIVISION DURING ROME DISCUSSIONS. HE SAID ITALY WOULD CONTINUE CONSULT MULTILATERALLY WITH OTHER DONORS ON DEBT QUESTION. DECONTROL 12/31/77. VOLPE

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 10 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ROME03694
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730541/aaaaitrd.tel
Line Count: 89
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 ROME 3613 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 03 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03-Aug-2001 by boyleja>; APPROVED <10-Sep-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 980127
Subject: PAKISTAN/ BANGLADESH DEBT
TAGS: EAID
To: BONN
DACCA
EUR
ISLAMABAD
LONDON
OECD PARIS
PARIS

SECSTATE WASHDC
STOCKHOLM

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005